



MINUTES

**California Film Commission Board Meeting
May 10, 2011
10:30 a.m. – 12:30 p.m.
State Capitol, Room 113
Sacramento, California**

COMMISSIONERS IN ATTENDANCE

Hilary Armstrong
Ron Calderon
Milton Jacobs
Aaron McLearn
Mike Miller
Howard Schwartz
Tommy Ross

EX-OFFICIOS/DESIGNEES IN ATTENDANCE

Ben Ho, Division Chief, State Fire Marshal's Office
Amy Lemisch, Director, California Film Commission
Brent Reed, Deputy Director, Dept. of Parks and Recreation

GUESTS

Kathleen Dodge, El Dorado / Lake Tahoe Film Commission
Pauline East, Antelope Valley Film Commission
Beverly Lewis, Placer / Lake Tahoe Film Commission
Diane Shelton, Office of Assemblymember Portantino
Lucy Steffens, Sacramento Film Commission

I. CALL TO ORDER and WELCOME; INTRODUCTION OF MEMBERS/GUESTS

Meeting called to order by Chairman Mike Miller at 10:38 a.m. Mr. Miller introduced and welcomed new board members Milton Jacobs; and Assemblymember Anthony Portantino in absentia. Mr. Miller congratulated boardmember Hilary Armstrong who produced 'California State of Mind – The Legacy of Pat Brown' which premiered at the Newport Film Festival.

II. APPROVAL OF MINUTES

Motion to approve the Minutes from January 28, 2011 was made and unanimously approved.

III. WELCOME REMARKS - Jacob Applesmith

Jacob Applesmith, Senior Advisor to Governor Edmund G. Brown Jr., thanked the California Film Commission for its work on economic development in the state. Mr. Applesmith gave his support to the CFC and Board on its efforts for a longer term solution to tax credits and keeping the film industry in the state.

IV. DIRECTOR'S REPORT - Amy Lemisch

State Budget Issues

CFC Operating budget is secure at current funding through June 30. The 2011-12 fiscal year is uncertain but currently the BTH agency has not indicated further cuts over and above what was already implemented during the previous administration.

Update on CFC Events / Marketing - 2011

April 1, 2011 – **CFC Annual Breakfast Reception** at the Sofitel Hotel – Entertainment Partners and Universal Studios Operations Group sponsored the event – 100% of the cost of the event is covered by sponsorships. This event is geared toward outreach to decision makers - studio execs, finance, production, tax executives, independent producers and commercial producers. 120 guests attended plus representatives from 22 of California's regional film offices as well as media. This was the largest turnout to date as the event keeps growing each year. Several CFC board members were able to attend this year.

April 2, 2011. – **California Location Trade Show** – CFC / Film Liaisons in California Statewide (FLICS) event in Century City. This annual event is also funded through sponsorships. The target audience is location managers and scouts, producers, production designers. There were 260 attendees and 31 FLICS.

No CFC / **Governor's Office screenings** are scheduled for Sacramento at this time. Once the state budget has been finalized we will revisit this possibility.

June 4 & 5, 2011 – **Association of Film Commissioners International (AFCI) / Producers Guild Conference** - AFCI hosts an annual trade show in Los Angeles for over 250 film commissions from across the U.S. and the world. This year the event has changed and is now partnered with the Producers Guild conference. The CFC will be attending and partnering with the FLICS.

Media

PR firm contract – The CFC has hired Excel PR for a one year contract starting Jan. 2011.

March 18 – **Frank Motek – Business News Hour KNX News** - Ms. Lemisch did a radio interview regarding tax credit program and the Select Committee hearing.

March 19 - **ABC 7 – News** – Ms. Lemisch at the informational hearing in Pasadena.

March 23 – **KSFR Santa Fe Public Radio** - Ms. Lemisch did a radio interview on the tax credit program.

April 1 – **Frank Motek – KNX Newsradio** – Ms. Lemisch was interviewed about the CFC Breakfast Reception.

April 27 – **L.A. Business Journal** – Ms. Lemisch was featured in a cover article on incentive program.

May 3 – **Toronto Star** – Ms. Lemisch did an interview on California's Film & TV Tax Incentive Program for a piece on Toronto's film and TV Industry.

Legislative Update – Hearings

March 18 – **Select Committee for the Preservation of California's Entertainment Industry** held an informational hearing in Pasadena. Director Lemisch presented a full status report on the tax credit program along with background information on the entertainment industry in California and the competition from out of state.

March 21 – Joint oversight hearing in Sacramento – **Assembly Revenue & Taxation and Arts, Entertainment, Sports, Tourism and Internet Media Committees** held an oversight hearing of the Film and Television Tax Credit Program. Director Lemisch presented a status report.

April 12 – AB1069, the bill to extend the CA Film and TV Tax Credit program for 5 years, was heard in the **Assembly Arts & Entertainment Committee**. It passed out of that committee unanimously.

Several representatives from the industry provided testimony at these hearings including union reps, small business owners, and producers.

May 16 – AB1069 will be heard in the Assembly Revenue & Taxation Committee.

Update of Tax Credit Program Data - YTD

Program regulations that the board voted on at our last meeting were adopted by the Office of Administrative Law on April 15, 2011.

Agreed Upon Procedures / CPA firms:

The AUP was approved along with the regulations on April 15th. (These lay out the specific procedures that all CPAs must follow when verifying costs, payroll, program criteria and thresholds).

May 19th – The CFC will hold its annual orientation meeting for CPA firms which are interested in performing these procedures or want a review.

Updated Program Statistics

This is the estimated spending generated by all the productions that have participated in the program to date:

The CFC has allocated (reserved) \$300 million dollars in tax credits to 125 projects; together those projects have or will spend \$2.2 billion dollars in state, and of that \$760 million is for wages paid to below-the-line workers.

- An estimated 25,000 crew members and 6100 cast members have been or will be hired by these approved projects.
- An estimated additional 172,000 individuals are receiving employment as background players, (people who are hired on a daily basis, also known as background extras.)

Breakdown by Production Type:

Of the 125 projects, feature films accounted for 59.2%; TV movies – 20.8%; TV series – 14.4%; Direct to DVD – 3.2%; relocating TV – 1.6%; mini-series – 0.8%

Approved Projects by Company Type:

Of the 125 projects 50.4% are independent; 49.6% are non-independent

Credit Allocations by Company Type:

Of the \$300 million, \$40 million or 13% went to independent projects; \$260 million or 87% went to non-independent projects.

One of the incentive projects is an HBO production, “Hemingway and Gelhorn” which shot in San Francisco for 47 days. The production spent \$17 million locally and \$8 million of that was in local wages.

Application Procedures:

Applications are accepted year round but it is June 1st that begins the first day for applications to be submitted for the upcoming fiscal year's allocations. On June 1 applications are selected by lottery due to the large volume received on that day. The CFC has no discretion to pick and choose projects. The statute mandates that we accept projects on a first come - first served process. In the regulations this was clarified so that on any given day that we receive more than one application a random selection process is used to create a queue order.

The lottery system was created to prevent a line up outside the CFC office which could result in one company that happens to be first in line submitting and receiving credits for 10 projects. The random selection process allows for a more equitable / level playing field for all applicants including independents. All credits will be exhausted on that first day. Applicants are notified within 24 hours as to their status so that they can make their production decisions.

From that day forward we continue to accept applications and maintain the waiting list. When any projects drop out we immediately reassign those credits to next project on the waitlist.

V. OPERATIONS REPORT - Amy Lemisch

Ordinances reviewed since last meeting: Cities of Signal Hill, Yountville, Corona, Folsom; Colusa County.

New or Revised Regional Film Partners: City of San Diego reduced to one person; Kern County undergoing staff reduction; Oakland is in a budget crisis and faces possible elimination; and Orange County faces defunding.

State Properties:

Nelles — going through escrow but the Dept. of General Services is allowing the continued use as a filming location. The property needs a lot of maintenance - mainly brush and weed abatement, to mitigate a fire hazard. CFC getting landscaping bids in order to keep location open beyond May 2011.

Parks — working with Parks on revising Parks Filming Guidelines; uncertain future for filming in statewide parks due to budget constraints and hiring freeze.

Corrections — Filming considered but only on case-by-case basis.

DMV — Open for filming.

Metropolitan State Hospital — Limited to two shoots per month.

Caltrans—Investigating 80 state owned properties in Southern CA for filming.

CHP - Officer Miguel Luevano replaced Officer Cheyenne Quesada as the CHP Film Liaison Officer.

VI. UPDATE ON ASSEMBLY BILL (AB 1069) - Assemblymember Felipe Fuentes

Assemblymember Fuentes gave a presentation to the CFC board regarding AB 1069, the bill he is carrying. Assemblymember Fuentes is proposing to extend this successful program for an additional five years for a total of half a billion dollars to target productions that are likely to leave the state due to incentives being offered in other states and countries. California is up against other states and countries offering substantial financial incentives to the film industry and has been successful in luring production and post production jobs and spending away from California.

Assemblymember Fuentes' pointed out the increased spending and jobs as a result of the program. A testament to the success of the program is that more productions applied for the credits than spaces were available. This bill creates and retains jobs, levels the playing field and makes California competitive again. The entertainment industry is one of the signature industries in California. It is an industry California can't afford to lose as it has other signature industries in California.

Currently the tax credit program is scheduled to end in the fiscal year 2013-2014. The last credits will be allocated by July 2012. Assembly Bill 1069 would extend the program through fiscal year 2018-19. The state's unemployment is hovering around 12%. There has been modest gain since the beginning of the year of about 100,000 jobs. Given what California has lost at the start of the recession, 1.2 million jobs, this bill comes at a very good time to incentivize and retain these good quality jobs. The state is facing a \$12 billion budget deficit. It is imperative to make the case about how successful this program has been and how many jobs it has created. Assemblymember Fuentes is confident that working with the board we will be successful in getting this bill passed.

A motion was made by Boardmember Tommy Ross for the CFC Board to support AB 1069 which was seconded and unanimously approved by the CFC Board.

VII. LOCAL FILM PRODUCTION REPORT - Lucy Steffens

The Sacramento Film Commission is a division of the Sacramento Convention and Visitors Bureau, the marketing organization of the city and county of Sacramento. The Sacramento CVB promotes the area as a meeting and convention site, leisure and travel destination and a filming location. The Sacramento

Film Commission was resurrected in 1990 by then mayor Anne Rudin after having been debunked for a number of years. The services the film commission provides includes location assistance, liaison with production companies and local communities such as neighborhood associations. They maintain an online film directory with crew and support services listings that also include resources in Placer and El Dorado counties, which are marketing partners. They provide housing assistance and have established a hotel discount program for production companies. The Sacramento Film Commission is also the permit office for filming within the city limits.

The State Capitol is a very sought after location for filming in the Sacramento area. One of the most prominent productions is the CBS series 'The Mentalist'. Usually the filming takes place in the Los Angeles area but about twice a year for a couple of days the whole cast and crew come up to Sacramento to film. In 2010 the production came to Sacramento and spent \$100,000 in hotel, restaurant and police services. Another big production that filmed there a couple of years ago was HBO's 'Big Love'. They spent about \$300,000 during their one week shoot.

VIII. NEW BUSINESS – Mike Miller

None

IX. PUBLIC COMMENT

None

X. BOARD MEETING SCHEDULE FOR 2011

July 29, 2011
Nov. 4, 2011

XI. ADJOURNMENT – Mike Miller

The meeting was adjourned at 12:10 p.m.